

National Intelligence Bulletin

May 11, 1976

In accordance with a decision of the Director of Central Intelligence, concurred in by NFIB principals, the *National Intelligence Bulletin* ceases publication with this issue.

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BULLETIN

State Department review completed

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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday May 12, 1976

CI NIDC 76-112C

State Department review
completed.

NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

Top Secret

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National Intelligence Daily Cable for Wednesday May 12, 1976.

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[REDACTED] The NID Cable is for the purpose of informing senior US officials.

LEBANON

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[REDACTED] //The Lebanese Christians slowed their offensive in the mountains east of Beirut yesterday

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[REDACTED] Zahlah is surrounded by the leftists, and the Christians fear that it will be totally lost to them if they do not break the encirclement before political negotiations begin.//

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25X1 [] Iraq's agents apparently are trying to upset Syria's efforts to bring peace to Lebanon, but so far they have been unable to trigger broader fighting between Christians and Muslims. The Israelis, however, fear the clashes might lead to heavier Syrian military involvement, at least in northern Lebanon.

25X1 [] Last night, leftist leader Kamal Jumblatt delivered his promised post-election statement on the leftists' position. We do not yet have the full text, but it appears to be somewhat less strident in tone than previous statements by Jumblatt. It is probably intended as a basis for future negotiations.

25X1 [] Palestinian chief Yasir Arafat reportedly is playing a major part in efforts to gain Jumblatt's acceptance of Sarkis and apparently is encouraged by signs that Jumblatt is amenable to a reconciliation with the president-elect.

25X1 [] President Franjiah, meanwhile, is once again saying that he will not resign until security improves. Sarkis, who met with Franjiah yesterday, apparently planned to press the President for an immediate resignation.

25X1 [] The US embassy in Beirut feels that Franjiah will come under heavy pressure from his allies to step down quickly, and notes that several aides close to the President are expecting him to acquiesce by next week.

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CHINA

25X1 [] The situation in China remains tense and filled with mutual suspicion in the wake of the Peking riots of April 5 and Teng Hsiao-ping's ouster.

25X1 [] The party's left wing would like to maintain the initiative--especially while the frail Chairman Mao is still alive--by stripping Teng of his party membership and purging other unnamed "capitalist-roaders" who supported him. Party moderates are still trying, thus far successfully, to keep the lid on.

25X1 [] The left continues to dominate the propaganda and has escalated its attacks on Teng. It has branded him a "conspirator," implying that he had collaborators whom the left would

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like to remove, and it has accused him of fabricating instructions from Mao and the party central committee. Although Teng's policies remain under attack, the bulk of the propaganda since his ouster focuses primarily on Teng himself and unnamed people in the party rather than issues.

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[] At least one broadcast has argued for Teng's removal from the party. Several others have gone well beyond criticism of Teng, calling for expanding the campaign to other capitalist-roaders still in power in the party.

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[] //Teng's removal was not a popular step, and word of disaffection within the general populace and on the part of some provincial leaders continues to filter out of China. Concern that this dissatisfaction may result in further violence, such as the explosion outside the Soviet embassy in late April, is evident in the propaganda against "counterrevolutionaries"--a codeword for perpetrators of civil disorder--and in heightened security measures in Peking.//

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[] Despite their show of unity on May Day, Chinese leaders seem to be making no secret of the divisions among them. Three leading moderates failed to appear with the rest of the leadership at a reception on April 26 for those who put down the Peking disturbances of early April. The three appeared in public just prior to and immediately following the reception, strongly suggesting that they deliberately stayed away from the ceremony because of the nature of the event.

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[] The reception appeared to be intended as a symbolic act, underlining the militant suppression of pro-Teng sentiment at the climax of the April 5 riot, but it has not been followed up in the propaganda, as was the case with symbolic gestures in the past.

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[] Despite the militant tone of the propaganda, it is far from certain that the left can achieve a widescale purge.

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[] Given the sullen mood throughout the country, and especially the feeling that the anti-Teng campaign is besmirching the memory of Chou En-lai, a massive effort to root out Teng's supporters could well lead to even greater political turmoil. This is something that leaders of all political stripes would like to avoid.

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[REDACTED] //The situation is nevertheless fluid. Some moderate leaders who seemed to support Teng in the initial stages of his political difficulties joined with the party's leading leftists at the reception on April 26 and almost certainly agreed to the decisive move against Teng earlier in the month.//

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[REDACTED] //For the moment, the left has not been able to translate its militant rhetoric into concrete steps. The bitterness caused by Teng's dismissal suggests that the current stalemate cannot hold indefinitely and that it will take at least another major leadership struggle to achieve some degree of stability in the upper ranks of the party.//

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BRAZIL

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[redacted] //Brazilian President Geisel's recent state visits to France and the UK have improved his position at home and may serve to improve Brazil's economic outlook abroad. He laid the ground work for closer economic ties, and his private discussions with President Giscard and Prime Minister Callaghan apparently went well.//

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[redacted] //London and Paris recognize the advantages to be gained by participating in Brazilian expansion. President Giscard and French diplomatic officials have strongly implied that Brazil will become the main focal point of interest in Latin America, if the relationship proves to be profitable.//

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[redacted] Geisel and Giscard issued a joint communique on major international topics, noting among other things their common interest in the newly independent countries of Africa. They also expressed a desire to cooperate bilaterally on hydroelectric power development, space telecommunications and petroleum research, and the building of land and sea transportation facilities.

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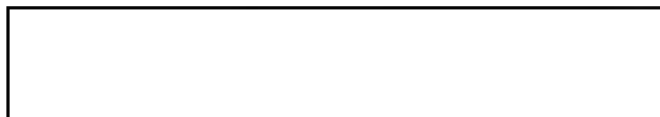
[redacted] A Brazilian-French statement expressing interest in participating jointly in projects in third countries probably led Brazilian Industry and Commerce Minister Severo Gomes to declare that Brazil could become the most important participant in French plans for a new north-south dialogue.

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[redacted] Following Geisel's departure, Brazilian and French officials reportedly decided to build a \$240-million petrochemical plant and to cooperate in solar energy research.

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[redacted] //Geisel's visit to London led to the opening of several lines of credit for the Brazilians. The agreements apparently provide \$640 million for railroad supplies and money credits as part



of a \$1.64-billion program of steel, railroad, and offshore drilling aid. A memorandum of understanding reportedly calls for a \$500-million in supply credits and \$500 million in working capital for railroad construction.//

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Leftist groups in both France and the UK staged minor protest demonstrations during Geisel's visits, but there was no violence. His generally favorable reception has prompted members of Brazil's pro-government party to assert that the world view of the country's military backed regime is less negative than some of its domestic critics contend.

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The tentative agreements will not pull Brazil out of its current economic slump, but they do improve the outlook. Brazil has become the twelfth-ranked nation in the world in terms of its total international trade.

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ISRAEL

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Arab workers from the Israeli-held West Bank are emigrating in increasing numbers as Jordanian and Persian Gulf economies boom. //A serious shortage of unskilled and semi-skilled labor could develop in Israel as its economy recovers from the current recession.//

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//Most Israelis welcome increased Arab emigration, but West Bank leaders fear a reduced population will lessen Palestinian claims to Israel's occupied lands.//

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Laborers from the occupied territories, 70,000 in 1974, have filled a number of manpower gaps in Israel, particularly in the construction industry. These workers accounted for more than 30 percent of the total labor force of Gaza and the West Bank.

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Following Tel Aviv's austerity program in 1974, severe cutbacks were made in the construction industry. Commuting by Arab workers from the occupied territories has dropped sharply, more than 15 percent in the last year, creating a potential emigration pool of more than 10,000 workers.

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[redacted] In the past, idled Arab workers found local employment, usually in agriculture or small family businesses. Now, however, unskilled and semi-skilled workers are being lured by new opportunities in Jordan and the Persian Gulf. Employment in Jordan is particularly attractive. Jobs and family are nearby, and West Bank Arabs have Jordanian citizenship.

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[redacted] Wages in Jordan have been skyrocketing. In 1974 unskilled Arabs working in Israel received two to three times the pay of unskilled workers in Jordan. Now the ratio has been reversed; an unskilled worker in Jordan receives double the salary of his counterpart in Israel, and a skilled craftsman up to five times as much.

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[redacted] The actual number of emigrants leaving Israel's occupied territories for Jordan and the Persian Gulf is unknown. Arab newspaper editorials have admonished West Bank leaders to stem the flow, however, indicating an increase.

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[redacted] Thus far, most of the emigrants are young married men who leave their families on the West Bank while testing job markets. //In the short run such workers may return home, but in the longer term, most of them will resettle their families, greatly diminishing the chance for their return.//

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[redacted] //The Israeli government has tacitly encouraged emigration. The process nevertheless could be costly to Israel. A serious shortage of unskilled and semi-skilled workers may develop, especially in construction, as the Israeli economy rebounds this year. These shortages could lead to higher wage demands which, if granted, would intensify inflationary pressure.// [redacted]

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ICELAND-UK

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[redacted] //Tensions between Iceland and the UK have increased in the past few days as a result of new incidents at sea between Icelandic coast guard ships and British protection vessels.//

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[redacted] //Unless an agreement is reached soon, public sentiment in Iceland against the US-manned base at Keflavik as well as the country's membership in NATO will also increase. Officials of the

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Progressive Party--the junior partner in the two-party coalition--launched verbal attacks last weekend on the failure of the US and NATO to support Iceland.//

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[] //Progressive Party chairman and former prime minister Olafur Johannesson made an impassioned appeal to the party's central committee on May 8 that resulted in a resolution scoring NATO and the US. The resolution cited the "difficulty" for Iceland of continued cooperation with NATO and urged the US not to take the Keflavik base "for granted." Johannesson's criticism of the US stemmed from the decision not to lend or lease Iceland fast patrol boats.//

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[] //Foreign Minister Agustsson--also of the Progressive Party--said he was not surprised at the US decision but thought that reports that Secretary Kissinger had told British Foreign Secretary Crosland that Iceland "would never under any circumstances" get patrol boats had hurt bilateral relations.//

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[] //Agustsson echoed much the same sentiments as Johannesson and raised the possibility that he might not attend the NATO ministerial meeting next week. Furthermore, he told journalists that he thought it would be possible to close down the base, "which Iceland does not need," and still remain a member of NATO.//

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[] //In a change of attitude typical of Agustsson, he spoke privately to the US charge recently of his concern that a settlement be reached soon if the "common interests of all of us are not to be damaged." He said he could offer some "slight hope for a settlement next week," after parliament adjourns.//

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[] //Agustsson's tough public stance obviously reflects his party's attitude, and his private willingness to compromise could signal the government's intention to try to end the dispute soon. Any quick agreement at this time, however, would tend to vindicate London's aggressive tactics at sea; this suggests that a week or two of cooling off will be necessary before a settlement can be reached. []

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PORTUGAL

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[] The Portuguese government reportedly has agreed to Azorean demands for changes in the statute dealing with autonomy for the Azores. This decision has led to some relaxation

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of tension in the islands, but Azorean leaders will remain skeptical of Lisbon's promises until they see a final text of the document.

25X1 [] According to members of an Azorean delegation that went to Lisbon to present the islanders' position, the government agreed in principle to alter objectionable provisions dealing with representation in the regional assembly, local control of finance, and the authority of the regional government.

25X1 [] Prime Minister Azevedo reportedly has assured General Pinto de Magalhaes, chairman of the Azorean administrative junta, that the changes will reflect the wishes of the Azorean people.

25X1 [] The agreement has been described by one delegation member as a compromise, but one which will pave the way for the formation of an autonomous government following regional assembly elections on June 30. The draft still requires the formal approval of the Revolutionary Council in Lisbon.

25X1 [] Azevedo's assurances came just in time to head off a potentially serious protest demonstration yesterday by businessmen on the main island of Sao Miguel. The local chamber of commerce decided to cancel plans to close all stores and factories.

25X1 [] Many Azorean moderates feared that Lisbon's alterations in their original draft autonomy statute would fan sentiment for full independence. On one island Portuguese flags were ripped down and replaced by banners of the Azorean Liberation Front. There have been no other indications that the right-wing group intends to exploit the issue at this time.

25X1 [] Azorean leaders' skepticism concerning Lisbon's intentions is underscored by remarks by one delegation member that there is more to Lisbon's erratic behavior on the autonomy statute than meets the eye. Although refusing to reveal any details, he said that what he had learned in Lisbon of the government's handling of the matter was sufficient to cause a "serious scandal."

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WEST GERMANY

[REDACTED] //West German police and security officials are on alert in anticipation that further demonstrations protesting the death of Ulrike Meinhof, one of West Germany's most notorious terrorists, may turn violent.//

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[REDACTED] //There is no evidence that the demonstrators will attempt to disrupt Vice President Rockefeller's visit to West Berlin and Frankfurt on Thursday and Friday, but the possibility of action directed against US officials or installations cannot be excluded.//

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[REDACTED] A large-scale demonstration is planned for today in Stuttgart, site of the prison in which Meinhof reportedly hanged herself last Sunday. Protesters from all parts of West Germany are expected to participate.

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Approved For Release 2005/06/09 : CIA-RDP79T00975A028900010020-9

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[REDACTED] //There is no information that other demonstrations are planned for Frankfurt or West Berlin, but small-scale protests could be organized quickly.//

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